



[BILLING CODE: 6750-01S]

FEDERAL TRADE COMMISSION

[File No. 131 0227]

AB Acquisition, LLC; Analysis of Agreement Containing Consent Order to Aid Public Comment

AGENCY: Federal Trade Commission.

ACTION: Proposed Consent Agreement.

SUMMARY: The consent agreement in this matter settles alleged violations of federal law prohibiting unfair or deceptive acts or practices or unfair methods of competition. The attached Analysis of Agreement Containing Consent Order to Aid Public Comment describes both the allegations in the draft complaint and the terms of the consent order -- embodied in the consent agreement -- that would settle these allegations.

DATES: Comments must be received on or before January 22, 2014.

ADDRESSES: Interested parties may file a comment at

<https://ftcpublic.commentworks.com/ftc/albertsonsunitedconsent> online or on paper, by

following the instructions in the Request for Comment part of the **SUPPLEMENTARY**

INFORMATION section below. Write “AB Acquisition, LLC - Consent Agreement; File No. 131 0227” on your comment and file your comment online at

<https://ftcpublic.commentworks.com/ftc/albertsonsunitedconsent> by following the instructions on the web-based form. If you prefer to file your comment on paper, mail or deliver your comment to the following address: Federal Trade Commission, Office of the Secretary, Room H-113 (Annex D), 600 Pennsylvania Avenue, NW, Washington, DC 20580.

FOR FURTHER INFORMATION CONTACT: Jeremy Morrison, Bureau of Competition, (202-326-3149), 600 Pennsylvania Avenue, NW, Washington, D.C. 20580.

SUPPLEMENTARY INFORMATION: Pursuant to Section 6(f) of the Federal Trade Commission Act, 15 U.S.C. 46(f), and FTC Rule 2.34, 16 CFR 2.34, notice is hereby given that the above-captioned consent agreement containing a consent order to cease and desist, having been filed with and accepted, subject to final approval, by the Commission, has been placed on the public record for a period of thirty (30) days. The following Analysis to Aid Public Comment describes the terms of the consent agreement, and the allegations in the complaint. An electronic copy of the full text of the consent agreement package can be obtained from the FTC Home Page (for December 23, 2013), on the World Wide Web, at <http://www.ftc.gov/os/actions.shtm>. A paper copy can be obtained from the FTC Public Reference Room, Room 130-H, 600 Pennsylvania Avenue, NW, Washington, D.C. 20580, either in person or by calling (202) 326-2222.

You can file a comment online or on paper. For the Commission to consider your comment, we must receive it on or before January 22, 2014. Write “AB Acquisition, LLC - Consent Agreement; File No. 131 0227” on your comment. Your comment - including your name and your state - will be placed on the public record of this proceeding, including, to the extent practicable, on the public Commission Website, at <http://www.ftc.gov/os/publiccomments.shtm>. As a matter of discretion, the Commission tries to remove individuals’ home contact information from comments before placing them on the Commission Website.

Because your comment will be made public, you are solely responsible for making sure that your comment does not include any sensitive personal information, like anyone’s Social

Security number, date of birth, driver's license number or other state identification number or foreign country equivalent, passport number, financial account number, or credit or debit card number. You are also solely responsible for making sure that your comment does not include any sensitive health information, like medical records or other individually identifiable health information. In addition, do not include any "[t]rade secret or any commercial or financial information which . . . is privileged or confidential," as discussed in Section 6(f) of the FTC Act, 15 U.S.C. 46(f), and FTC Rule 4.10(a)(2), 16 CFR 4.10(a)(2). In particular, do not include competitively sensitive information such as costs, sales statistics, inventories, formulas, patterns, devices, manufacturing processes, or customer names.

If you want the Commission to give your comment confidential treatment, you must file it in paper form, with a request for confidential treatment, and you have to follow the procedure explained in FTC Rule 4.9(c), 16 CFR 4.9(c).¹ Your comment will be kept confidential only if the FTC General Counsel, in his or her sole discretion, grants your request in accordance with the law and the public interest.

Postal mail addressed to the Commission is subject to delay due to heightened security screening. As a result, we encourage you to submit your comments online. To make sure that the Commission considers your online comment, you must file it at

<https://ftcpublic.commentworks.com/ftc/albertsonsunitedconsent> by following the instructions on the web-based form. If this Notice appears at <http://www.regulations.gov/#!/home>, you also may file a comment through that website.

¹ In particular, the written request for confidential treatment that accompanies the comment must include the factual and legal basis for the request, and must identify the specific portions of the comment to be withheld from the public record. *See* FTC Rule 4.9(c), 16 CFR 4.9(c).

If you file your comment on paper, write “AB Acquisition, LLC - Consent Agreement; File No. 131 0227” on your comment and on the envelope, and mail or deliver it to the following address: Federal Trade Commission, Office of the Secretary, Room H-113 (Annex D), 600 Pennsylvania Avenue, NW, Washington, DC 20580. If possible, submit your paper comment to the Commission by courier or overnight service.

Visit the Commission Website at <http://www.ftc.gov> to read this Notice and the news release describing it. The FTC Act and other laws that the Commission administers permit the collection of public comments to consider and use in this proceeding as appropriate. The Commission will consider all timely and responsive public comments that it receives on or before January 22, 2014. You can find more information, including routine uses permitted by the Privacy Act, in the Commission’s privacy policy, at <http://www.ftc.gov/ftc/privacy.htm>.

Analysis of Agreement Containing Consent Order to Aid Public Comment

I. INTRODUCTION AND BACKGROUND

The Federal Trade Commission (“Commission”) has accepted for public comment, subject to final approval, an Agreement Containing Consent Order (“Consent Order”) from AB Acquisition, LLC (“Respondent”). The purpose of the proposed Consent Order is to remedy the anticompetitive effects that otherwise would result from the merger of Respondent with United Supermarkets, L.L.C. (“United”). Under the terms of the proposed Consent Order, Respondent is required to divest its supermarkets and related assets in Amarillo and Wichita Falls, Texas to a Commission-approved purchaser. The divestitures must be completed no later than 10 days following the date of Respondent’s merger with United.

The proposed Consent Order has been placed on the public record for 30 days to solicit comments from interested persons. Comments received during this period will become part of

the public record. After 30 days, the Commission again will review the proposed Consent Order and any comments received, and decide whether it should withdraw the Consent Order, modify the Consent Order, or make it final.

On September 9, 2013, Respondent and United entered into a merger agreement whereby Respondent agreed to purchase 100% of United's equity. The Commission's Complaint alleges that the proposed merger, if consummated, would violate Section 7 of the Clayton Act, as amended, 15 U.S.C. § 18, and Section 5 of the Federal Trade Commission Act, as amended, 15 U.S.C. § 45, by removing an actual, direct, and substantial supermarket competitor in Amarillo and Wichita Falls, Texas. The elimination of this competition would result in significant competitive harm, specifically higher prices and diminished quality and service levels in both markets. The proposed Consent Order would remedy the alleged violations by requiring Respondent to divest its supermarkets in the two affected markets. The divestitures will establish a new independent competitor to Respondent in both relevant areas, replacing the competition that otherwise would be lost as a result of the proposed merger.

II. THE PARTIES

Respondent, through its wholly owned indirect subsidiary, Albertson's LLC ("Albertson's"), owns and operates 606 supermarkets in the western and southern United States under the Albertsons banner. In Texas, Albertson's operates 72 supermarkets under the Albertsons banner, the majority of which are in the Dallas-Fort Worth Metroplex. Albertson's operates 10 Albertsons banner stores in North and West Texas.

United is a privately held regional grocery retailer that owns and operates 51 traditional and specialty supermarkets and 7 convenience stores across North and West Texas. United operates its supermarkets under three different banners: United Supermarkets, Market Street,

and Amigos. United Supermarkets is a traditional supermarket banner. Market Street offers everyday grocery needs, as well as gourmet and specialty items, whole health products, and prepared food. Amigos is operated as a specialty store with a focus on traditional and authentic items targeted to Hispanic shoppers. United also owns three distribution centers, an ice manufacturing plant, and a food manufacturing plant.

III. SUPERMARKET COMPETITION IN AMARILLO AND WICHITA FALLS, TEXAS

Respondent's proposed merger with United poses substantial antitrust concerns for the retail sale of food and other grocery products in supermarkets. Supermarkets are defined as traditional full-line retail grocery stores that sell, on a large-scale basis, food and non-food products that customers regularly consume at home—including, but not limited to, fresh meat, dairy products, frozen foods, beverages, bakery goods, dry groceries, detergents, and health and beauty products. This broad set of products and services provides a “one-stop shopping” experience for consumers by enabling them to shop in a single store for all of their food and grocery needs. The ability to offer consumers one-stop shopping is a critical differentiating factor between supermarkets and other food retailers.

The relevant product market includes supermarkets within “hypermarkets,” such as Wal-Mart Supercenters. Hypermarkets also sell an array of products that would not be found in traditional supermarkets. However, hypermarkets, like conventional supermarkets, contain bakeries, delis, dairy, produce, fresh meat, and sufficient product offerings to enable customers to purchase all of their weekly grocery requirements in a single shopping visit.

Other types of retailers – such as hard discounters, convenience stores, specialty food stores and club stores – also sell food and grocery items. However, these types of retailers are

not in the relevant product market because they do not have a supermarket's full complement of products and services. Shoppers typically do not view these other food and grocery retailers as adequate substitutes for supermarkets. Further, although these other types of retailers offer some competition, supermarkets do not view them as providing as close competition as traditional supermarkets.² Thus, consistent with prior Commission precedent, grocery items sold in stores other than supermarkets are excluded from the relevant product market.³

There are two relevant geographic markets in which to analyze the merger's effects: (1) the western half of Amarillo, Texas ("West Amarillo"), and (2) the southwest area of Wichita Falls, Texas ("Southwest Wichita Falls"). Specifically, West Amarillo includes the area from the western city limit to the railroad tracks that run parallel to, and are located to the east of, the Interstate 40 and U.S. Route 87/287 corridor. Southwest Wichita Falls is the area within the city limits that runs south of U.S. Route 277 and west of U.S. Route 281. A hypothetical monopolist of the retail sale of food and other grocery products in supermarkets in each relevant area could profitably impose a small but significant non-transitory increase in price.

Interviews with the merging parties' executives and market participants, as well as a review of party documents, demonstrate that Albertson's and United are close and vigorous competitors in terms of format, service, product offerings, promotional activity, and location in the West Amarillo and Southwest Wichita Falls markets. For example, Albertson's and United

² Shoppers typically do not view these other food and grocery retailers as adequate substitutes for supermarkets and would be unlikely to switch to one of these retailers in response to a small but significant price increase or "SSNIP" by a hypothetical supermarket monopolist. See U.S. DOJ and FTC Horizontal Merger Guidelines § 4.1.1 (2010).

³ See, e.g., *Koninklijke Ahold N.V./Safeway Inc.*, Docket C-4367 (August 17, 2012); *Shaw's/Star Markets*, Docket C-3934 (June 28, 1999); *Kroger/Fred Meyer*, Docket C-3917 (January 10, 2000); *Albertson's/American Stores*, Docket C-3986 (June 22, 1999); *Ahold/Giant*, Docket C-3861 (April 5, 1999); *Albertson's/Buttrey*, Docket C-3838 (December 8, 1998); *Jitney-Jungle Stores of America, Inc.*, Docket C-3784 (January 30, 1998). But see *Wal-Mart/Supermercados Amigo*, Docket C-4066 (November 21, 2002) (the Commission's complaint alleged that in Puerto Rico, club stores should be included in a product market that included supermarkets because club stores in

are the only supermarkets in Amarillo and Wichita Falls that retain a traditional supermarket format, with both emphasizing specialty departments like meat and fresh seafood. Both are also the only traditional supermarket operators in Amarillo and Wichita Falls that carry a broad range of products catering to the entire community. Additionally, Albertson's and United's stores have the most similar store formats and size among supermarket operators in Amarillo and Wichita Falls, including the amount of floor space devoted to food and other grocery products. Absent relief, the proposed merger would eliminate significant head-to-head competition between Respondent and United and would increase Respondent's ability and incentive to raise prices unilaterally post-merger. The proposed merger would also decrease incentives to compete on non-price factors, such as service levels, convenience, and quality.

The West Amarillo and Southwest Wichita Falls markets already are highly concentrated, and would become significantly more so post-merger. The merger would reduce the number of supermarket competitors from three to two; Wal-Mart Supercenter would be the only remaining competitor in each of the two relevant areas. In West Amarillo, the proposed merger would increase the Herfindahl-Hirschman Index ("HHI"), which is the standard measure of market concentration under the 2010 Department of Justice and Federal Trade Commission Horizontal Merger Guidelines ("HMG"), 503 points, from 4501 to 5004. In Southwest Wichita Falls, the proposed merger would increase the HHI 811 points, from 4193 to 5004. Under the HMG, these concentration levels trigger the presumption that the merger likely enhances Respondent's market power in West Amarillo and Southwest Wichita Falls.

New entry or expansion in the relevant markets is unlikely to deter or counteract the anticompetitive effects of the proposed merger. Moreover, even if a prospective entrant existed,

Puerto Rico enabled consumers to purchase substantially all of their weekly food and grocery requirements in a

the entrant must secure a viable location, obtain the necessary permits and governmental approvals, build its retail establishment or renovate an existing building, and open to customers before it could begin operating and serve as a relevant competitive constraint. It is unlikely that entry sufficient to achieve a significant market impact and act as a competitive constraint would occur in a timely manner.

IV. THE PROPOSED CONSENT ORDER

The proposed remedy, which requires the divestiture of the Albertson's supermarkets in Amarillo and Wichita Falls to a Commission-approved purchaser, will restore fully the competition that otherwise would be eliminated in these markets as a result of the merger. Respondent has agreed to divest the Albertson's supermarkets in Amarillo and Wichita Falls to MAL Enterprises, Inc., which operates as Lawrence Brothers IGA ("Lawrence Brothers"). Lawrence Brothers is a family owned and operated supermarket chain based in Sweetwater, Texas, with 18 supermarkets located throughout West Texas and two in New Mexico, all of which are located outside the two relevant geographic markets.⁴ Lawrence Brothers appears to be a highly suitable purchaser, and it is well positioned to enter the relevant markets and prevent the increase in market concentration and likely competitive harm that otherwise would have resulted from the merger.

The proposed Order requires Respondent to divest Albertson's Amarillo and Wichita Falls stores and related assets to Lawrence by the later of: (a) January 13, 2014, or (b) 10 days following Albertson's merger with United. If Lawrence Brothers is not approved by the

single shopping visit).

⁴ Lawrence Brothers operates 14 stores under the "Lawrence Brothers" banner, four stores under the "Cash Saver" banner, and two stores under the "Save-A-Lot" banner. Lawrence Brothers plans to convert the two Albertson's stores in Amarillo and Wichita Falls to Cash Saver stores. Cash Saver stores are traditional supermarkets with specialty departments such as pharmacies, delis, and bakeries. Cash Saver prices all grocery products in its stores at 10% above cost.

Commission to purchase the assets, Albertson's must immediately rescind the divestiture agreement and divest the Albertson's stores and related assets to a buyer that receives the Commission's prior approval. The proposed Consent Order contains additional provisions designed to ensure the adequacy of the proposed relief. For example, for a period of one year, the Consent Order prohibits Albertson's from interfering with Lawrence Brothers' hiring or employment of any employees currently working at the Albertson's stores in Amarillo and Wichita Falls. Additionally, for a period of 10 years, Respondent is required to give the Commission prior notice of plans to acquire any interest in a supermarket, or an interest in a supermarket, that has operated or is operating in Amarillo and Wichita Falls.

The sole purpose of this Analysis is to facilitate public comment on the proposed Consent Order. This Analysis does not constitute an official interpretation of the proposed Consent Order, nor does it modify its terms in any way.

By direction of the Commission.

Janice Podoll Frankle,
Acting Secretary.

[FR Doc. 2013-31224 Filed 01/06/2014 at 8:45 am; Publication Date: 01/07/2014]